



# FRONTIER<sup>®</sup>

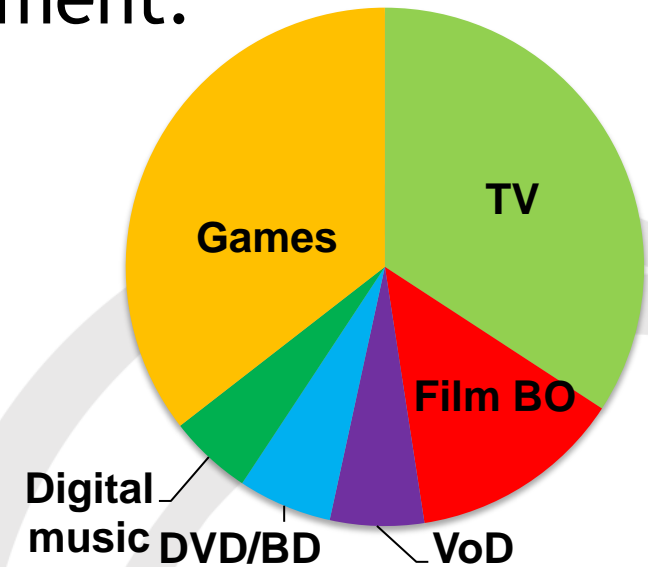
## Introduction

May 2017



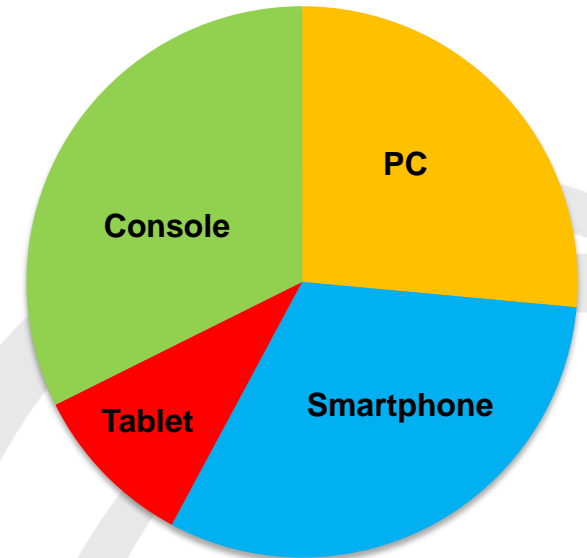
# The Entertainment Industry

- Games are the world's premiere form of entertainment:
  - 2017 global games revenue: \$109 Bn newzoo forecast
  - 2017 global TV revenue: \$105 Bn Statista forecast
  - 2017 global film box-office revenue: \$41 Bn Statista forecast
  - 2017 global video-on-demand revenue: \$18 Bn Statista forecast
  - 2016 global DVD/Bluray revenue: \$18 Bn Home Media Magazine actual
  - 2016 global digital music revenue: \$16 Bn IFPI actual
- Global games revenue growing at 8% pa
  - Taking screen time from TV (falling 8% pa) and DVD/Bluray (falling 17% pa)
  - Rapid growth of games in new markets (eg China - growing 14% pa)
  - Games revenue forecast to reach \$129 Bn by 2020 newzoo



# The Games Industry

- Three comparable sectors - PC, console, mobile
  - PC - quality led. Good discoverability. Well served by media.
    - Player base values games.
  - Console - quality led. OK discoverability. Well served by media.
    - Younger but dedicated player base, values games.
  - Mobile, particularly smartphone. Poor discoverability.
    - Fickle, player base don't value games.
    - Tablet play-styles different, yet discovered via same route.
- Digital downloads already dominate
  - Mobile is 100% digital
  - PC is 95%+ digital (was approx. 50% 5 years ago)
  - Digital sales on console are rising rapidly (approaching 50:50)



Newzoo 2017 forecast



Games Companies		Value	Business	Titles
Tencent	CN	\$303bn	Developer & Publisher & digital distribution, other	Clash of Clans, League of Legends, publisher of many western games in China
Activision Blizzard	US	\$40bn	Developer & publisher	Call of Duty, Crash Bandicoot, Guitar Hero, Skylanders, Tony Hawk's, Warcraft, Candy Crush Saga
Electronic Arts	US	\$29bn	Developer & publisher	Battlefield, FIFA, Madden NFL, Medal of Honor, NBA Live, Need for Speed, Plants vs. Zombies, Rock Band, SimCity, The Sims
Valve Corporation	US	<private>	Developer, Publisher & digital distribution	Half-Life, CS:GO, Portal, DOTA, Steam (distribution platform)
Take Two	US	\$6.6bn	Developer & Publisher	Grand Theft Auto, Civilization, Red Dead Redemption, Bioshock
Ubisoft	FR	\$5.4bn	Developer & publisher	Assassin's Creed, Far Cry, Just Dance, Prince of Persia, Rayman, Tom Clancy's Ghost Recon, Tom Clancy's Splinter Cell
Sega Sammy	JP	\$3.7bn	Developer, publisher, amusements	Football Manager, Total War, Alien Isolation, Sonic the Hedghog, Warhammer
Square Enix	JP	\$3.7bn	Developer, publisher, amusements, other	Final Fantasy, Dragon Quest, Kingdom Hearts
CD Projeckt	PL	\$1.7bn	Developer, publisher	The Witcher, Cyberpunk
Capcom	US	\$1.5bn	Developer, publisher, amusements, other	Street Fighter, Resident Evil, Devil May Cry, Monster Hunter
Paradox	SE	\$800m	Developer & Publisher	City Skylines, Stellaris, Crusader Kings, Europa Universalis, Hearts of Iron, Tyranny
Starbreeze	SE	\$500m	Developer & Publisher	Enclave, Riddick, Syndicate, Brothers: A Tale of Two Sons
Frontier	UK	\$180m	Developer & Publisher	Elite Dangerous, Planet Coaster

# Success through Franchises

- A franchise is
  - “where a recognisable world, collection of characters, story and original creative content is gathered together across multiple products”*
- A franchise allows long term community engagement
  - Loyal fan base and sales grow over many years
  - Marketing and brand awareness carry forwards
  - Can spread to other media
- Creating franchises is the key to long term success
  - Company value can be considered to be made up of long term franchises
  - Franchises can have revenues in excess of \$1 Bn per year
  - Sale of Minecraft to Microsoft for \$2.5 Bn in 2014





# Proven Track Record over Three Decades

- 1984: *Elite* launched; Frontier founded 1994 by David Braben OBE
- 1994-2013: very successful “work-for hire” developer
- Proven track record over a variety of genres, many platforms



- Including Microsoft launch titles for Kinect, Xbox One
- Use our own ‘COBRA’ software technology



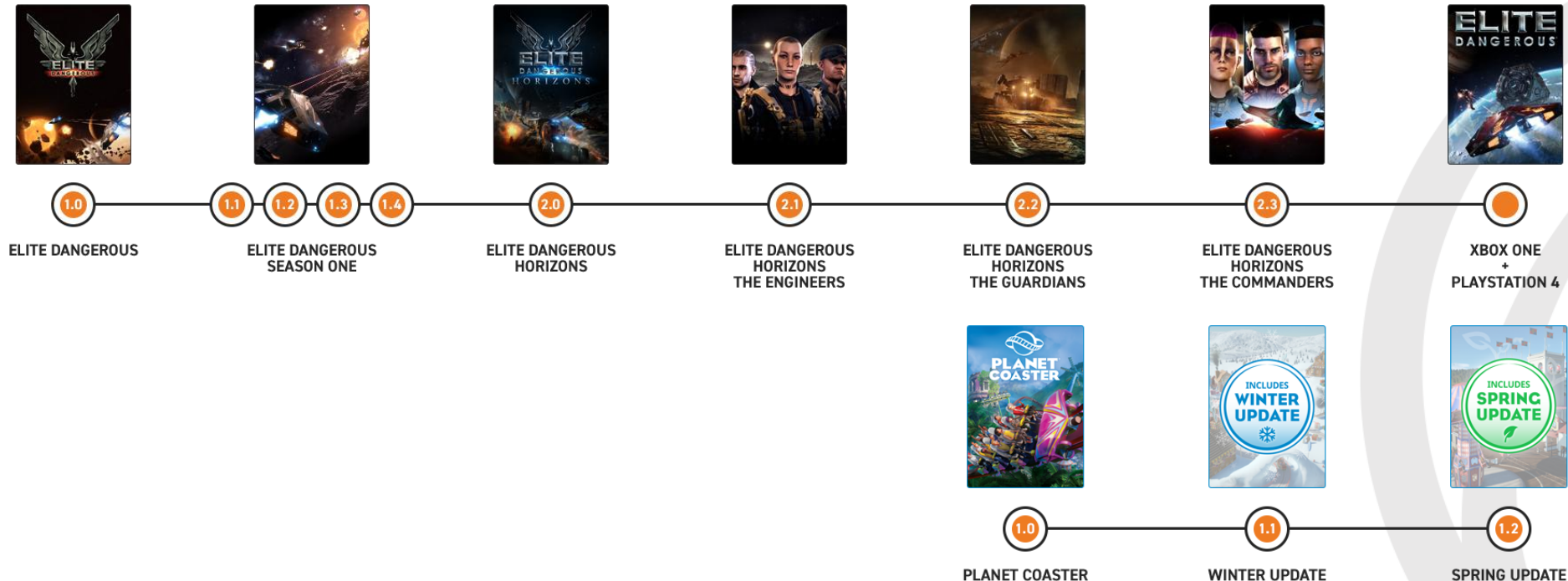
# Digital Distribution was Catalyst to Self-publish

- Self-publishing gives best financial (and creative) RoI for our expertise
- Online digital distribution removed physical retail barrier-to-entry
  - Use our own store plus key 3<sup>rd</sup> party stores; Steam (PC), Xbox Live (Xbox One)
- ‘Kickstarter’ funding for *Elite* sequel led to July 2013 IPO
  - To fully support transition
- No change to our successful development process
- Added marketing and customer support to our organisation
  - Engage with our player communities directly



# Ingredients for Successful Self-publishing

- World-class team, 300+ people, strong commercial relationships, proven delivery of quality games, leveraging our expertise
- Differentiation enabled by COBRA, engaging long-term gameplay





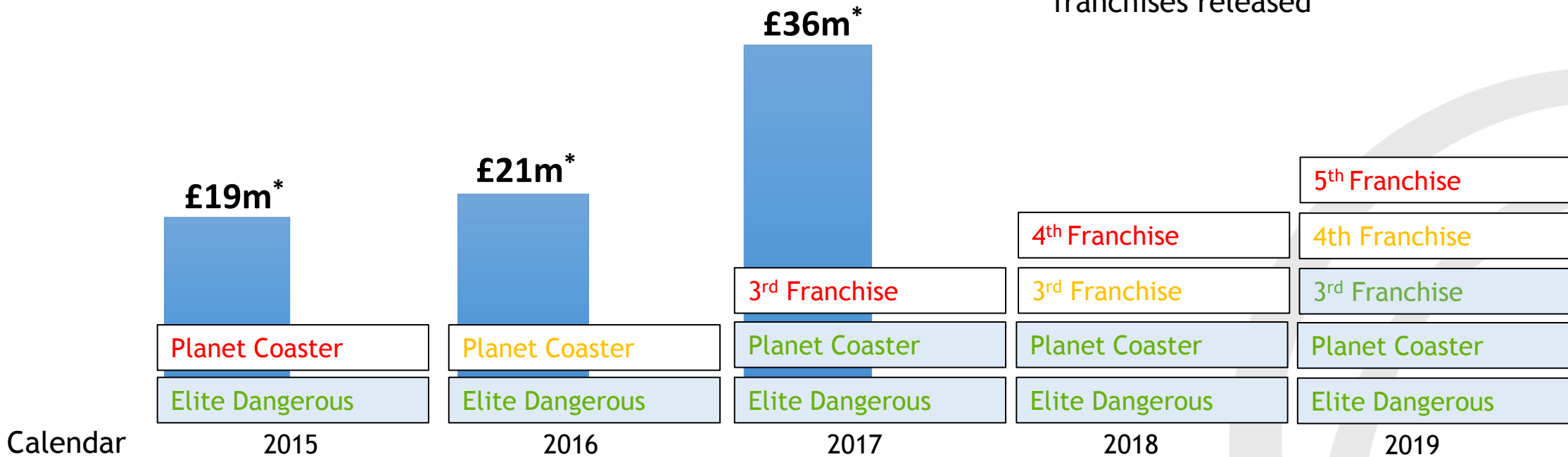
# Scaling Our Franchise Portfolio

- Business plan based on a demonstrable track record of successful, on-time, on-budget launches and substantial multi-year franchise revenues
- We can significantly grow Frontier's value WITHOUT relying on 'mega-hits'
  - But the potential is always there
- Continue to extend and manage *Elite Dangerous*, *Planet Coaster*
- Base new franchise decisions on proven 'ingredients', leveraging our expertise
- 3<sup>rd</sup> Franchise for 2018:
  - “*licensed an enduring Hollywood movie IP of global renown*”
- Build a diverse, world-class portfolio



# Scale Up Illustration

Financial performance will continue to exhibit “stepped” characteristics as new franchises released

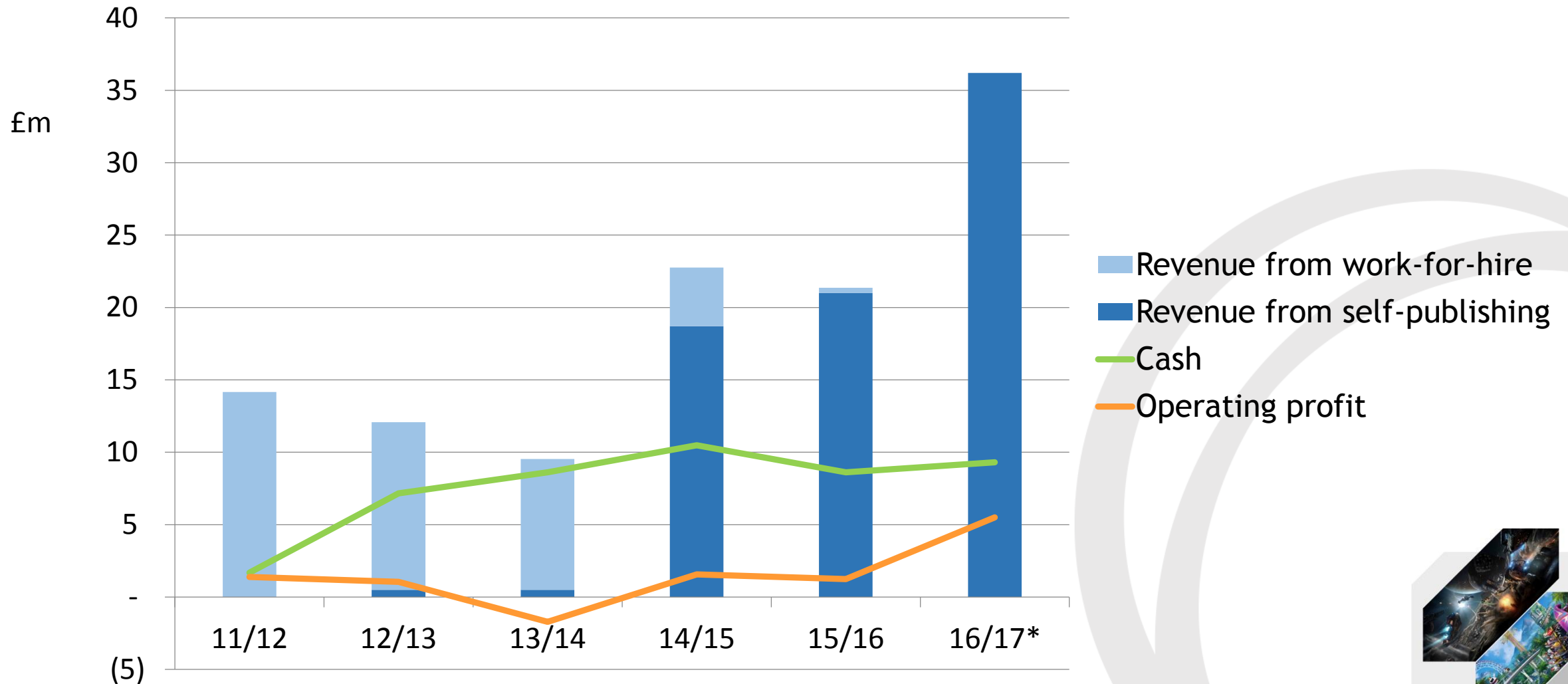


\*Actual / Forecast FY self-published revenues  
 Revenue from franchises continues in the years post-launch  
 Franchise investment therefore capitalised over multiple years

Revenue earning  
 Partially earning  
 Development



# Financials



\* Numis projected numbers for 16/17



A dynamic and intense scene from the video game Elite Dangerous. The image depicts a chaotic space battle or crash landing on a desolate, rocky planet. In the foreground, a large, detailed spaceship is shown in a state of disrepair, with bright orange and yellow flames erupting from its base, suggesting a recent crash or explosion. The ship's hull is dark and metallic, with some glowing blue lights still active. In the mid-ground, several other spacecraft are engaged in combat. One ship is firing a bright blue energy beam towards the left, while another is being targeted by a green laser. A small, agile fighter is seen maneuvering in the upper left, leaving a white smoke trail. The background features a large, dark, and jagged celestial body, possibly a moon or a planet, with a prominent, glowing blue ring or orbital structure. The sky is filled with stars, distant galaxies, and various space debris, creating a sense of vastness and danger. The overall color palette is dominated by dark blues, greys, and oranges, with bright highlights from the explosions and weapon fire.

# Elite Dangerous Video





[Planet Coaster Video](#)

# PLANET COASTER®



# Summary

- The games industry is large and growing
- We have proven our ability to deliver over three decades
- We have successfully transitioned to self-publishing with two franchises
- Our business plan is based on a demonstrable track record
- Our ambition is to create a self-publishing, multi-franchise success story



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